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CENTRAL INTELLIGENCE AGENCY

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1. [redacted] the Committee of Finance and Economics of the Chinese Communist Government issued instructions to the various large administrative districts that they were to implement the national emergency and economic measures, promulgated [redacted] by the Committee, in the light of actual enforcement [redacted] According to these instructions the People's Bank in various localities is to gain strict control of currency operations, control the issue of paper money and to adopt the following measures as warranted by the situation:
 - a. Tighten credit: suspend granting loans; recall loans issued to merchants and manufacturers, if prices of commercial and industrial products fluctuate.
 - b. Stop letters of credit for exported commodities.*
 - c. Control commercial banks: instruct them regarding daily loans; banks may not allow their loans to be over 40 percent of deposits.
 - d. Freeze the deposits of Government enterprises.
 - e. Keep interest rates on loans higher than a free market rate.
2. The instructions from the Committee of Finance and Economics also stated that Government firms specializing in particular commodities should regulate the supply and demand and control the essential amount of daily necessities and industrial supplies. The instructions introduced the following regulations for Government firms, to be applied as conditions warrant:
 - a. To stop purchasing raw materials or manufactured goods from the people, in order to retard or speed up the circulation of money.
 - b. To control the movement of essential commodities; to prohibit any unauthorized effort of private business.
 - c. To restrict the private purchase of essential commodities which must

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BY [redacted] 11 JUL 1978

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be bought, sold, and distributed uniformly by Government firms.

- d. To order private business and individuals to sell essential commodities in short supply to Government firms within a specified time.
3. Governments of administrative districts and principal cities must carry out the following instructions:
 - a. Constantly compare the number of persons employed in subordinate Government organs against the personnel quota of the organs.
 - b. Stop unnecessary construction and repairs.
 - c. Supervise tax collection; readjust tax receipts; prevent tax evasion; collect overdue taxes; and withdraw paper money from circulation.
 - d. Instruct public safety agencies to scrutinize market operations so as to suppress smuggling and unlawful trading.

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* Comment. This probably means refuse to honor letters of credit.

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